

INDUSTRY CIRCULAR

OFFICE OF THE COMMISSIONER OF INTERNAL REVENUE
ALCOHOL AND TOBACCO TAX DIVISION



WASHINGTON 25, D. C.

Industry Circular No. 57-31

September 24, 1957

AMENDMENT OF 26 CFR PART 270

Manufacturers of Cigars and Cigarettes:

Purpose. The purpose of this industry circular is to acquaint you with the provisions of Treasury Decision 6248, approved August 8, 1957, which amends the regulations in 26 CFR Part 270.

Background. Section 270.122 required that a manufacturer's bond be given in an amount equal to his tax liability, determined on the basis of the prescribed formula, which resulted in such bonds being given in odd amounts and created some problems for manufacturers and sureties, as well as for bond approving officers. Section 270.127 provided that the date on which the superseding bond is approved by the assistant regional commissioner is the controlling date with respect to the termination of liability of a surety under a bond, although it is the "effective" date of the superseding bond which properly controls such termination. Section 270.128 contained the phrase "who has accepted such security," which, if it were literally construed, would bar release of bonds, notes, or other obligations where the assistant regional commissioner who accepted such security no longer holds such office. Amendments were, therefore, adopted in order to provide a more realistic standard with respect to the amount in which manufacturers' bonds shall be given; to fix the proper controlling date with respect to the termination of liability of a surety under a bond; to provide more administrative flexibility with respect to the release of collateral security; and, in addition, to bring the reference to 26 CFR Part 200, which appears in section 270.89, into conformity with the codification of such part in Title 26 (1954) Code of Federal Regulations.

Nature of Amendments. The following amendments were made by Treasury Decision 6248:

Section 270.89--Deletion of the expression "1939" and insertion, in lieu thereof, of the expression "1954".

Section 270.122--Deletion, in the first sentence, of the words "equal to" and insertion, in lieu thereof, of the words "not less than".

Section 270.127--Deletion of the expression "date of approval", where it appears the first time in the first sentence, and insertion, in lieu thereof, of the expression "effective date".

Section 270.128--Deletion, in the second sentence, of the expression "who has accepted such security".

Effective Date. Treasury Decision 6248 will become effective on October 1, 1957.

Inquiries. Inquiries regarding this circular should refer to its number and be addressed to the office of your assistant regional commissioner (alcohol and tobacco tax).

A handwritten signature in black ink, reading "Harold A. Serr". The signature is written in a cursive style with a large, stylized "H" and "S".

Harold A. Serr
Acting Director, Alcohol and Tobacco Tax Division